

**Remarks by State Treasurer Phil Angelides
Keynote Address to Institutional Investors' Cleantech Conference
San Jose, March 29, 2005**

Thank you. It's a pleasure to be here today with people who are breaking so much new ground for our environment and economy. I'm thrilled to be today's keynote speaker.

A year ago I had the opportunity to speak to many of you at the Cleantech Venture Forum. I talked to you then about my Green Wave environmental investment initiative. I explained how this path-breaking initiative would take us down the high road to the future – providing economic opportunity and sustainability for our state, our nation, and our globe and setting a national example of corporate environmental responsibility.

A lot has happened in the eleven months that have passed by since that day.

For starters, I am proud to say, the Green Wave has gone from proposal to reality, which is why we are here today.

At CalPERS, we have committed \$500 million to investing in companies that can earn superior returns by upholding their environmental responsibilities.

We have set a goal of reducing the energy usage in our pension funds' massive real estate holdings by 20 percent over the next five years, saving enough energy to power 50,000 homes each year.

We have launched a new era of shareholder activism to prod companies to improve their environmental practices and to pay heed to the risks of global warming – protecting their bottom lines and the environment, too.

And we have begun to harness the power of our pension funds to encourage and speed along the work you are doing, committing \$450 million to invest in renewable energy and clean environmental technologies – investments that will address the challenges presented by pollution and climate change and create tens of thousands of new jobs.

In the last year, we have been reminded how essential it is to take the high road that the Green Wave represents.

When I spoke to you last year, the price of crude oil was \$35 a barrel. Today, it's \$55 a barrel and headed who knows how high.

The soaring cost of oil is just one measure of the price we are paying in this country for our dependence on dwindling and polluting resources. We have put our national security and our economy and our environment at risk, and they will remain in peril so long as we drift in a petroleum haze.

We can't continue to ignore that reality – although President Bush seems darned determined to try.

In the last year, we also learned from scientists the price California will pay if we do not slow global warming.

They told us that, by the end of the century, much of the Sierra snow pack will disappear, leading to more frequent winter floods and longer and more damaging droughts in summer. Los Angeles will be hotter than Sacramento today; Sacramento will be hotter than El Centro; and El Centro will be hotter than... well, no place any of us want to go.

That is not the high road. That is not how we keep the faith with our children, or our children's children.

Today, I remain as convinced as ever that the environmental technology sector is going to be one of the growth industries of the world—and if we are forward thinking, it will add another bundle of energy to my state's economy, already the nerve center of American vision and innovation.

Last year, overall venture capital investment in clean tech totaled \$1.2 billion. This month, Clean Edge projected that the clean energy sector alone will be a \$100 billion market by 2014.

There is no question in my mind that California can and should be the world leader in seizing this opportunity. As the Natural Resources Defense Council and Environmental Entrepreneurs pointed out in a report last year, California is well positioned to develop a clean-tech cluster to add to its portfolio of world-class industries.

California has the scientists, engineers, and research institutions to be on the leading edge of environmental technology. We have the manufacturing expertise and skilled workers.

We have the culture of entrepreneurship and the tradition of imagining the next new thing, sometimes at the lab bench, sometimes in a garage. We have the venture capital network to fund and nurture start-up companies. We have a citizenry eager to preserve California's environment.

And now our pension funds are leading the way – investing to create jobs, improve the environment, and earn a return for retirees and taxpayers.

California should own this industry.

For most of the second half of the 20th Century, my state captured the front wave of global innovation because of our unrivaled quality of life, a quality of life made possible by the sacrifices and forward-looking investments of previous generations of Californians.

Our parents and grandparents were dedicated to the idea that their kids should have even more chances than they'd had – that they'd leave us a better place. That was their dream – that we'd do better than they had done, that they'd keep the faith with the next generation.

California's always been the frontier of that dream – for the gold seekers who first crossed the Sierra Nevada 150 years ago – for the visionaries who are forging a new kind of gold in information and biotech and clean tech, even as I speak these words – for the mosaic of peoples and cultures who are our diversity and our strength.

But that dream is in danger at the very time when we have a chance to lead the nation and world in this new area of environmental investing. In the last year, under this Governor, California has turned away from the things that will allow us to compete and prosper – to capture the front-wave industries of the 21st Century.

We're the richest state in the wealthiest nation in human history. Yet we're 48th out of 50 states in student achievement, and we have a Governor who wants to cut 15,000 dollars out of every public school classroom.

We're the richest state in the wealthiest nation in human history. Yet we have a Governor who broke a 40-year-old covenant, by telling 25,000 hungry young minds – kids who worked hard, made all the grades – that there was no room for them at our state colleges and universities.

Friends, we are the richest state in the wealthiest nation in human history. Yet we have a Governor who has embarked on an unbridled borrowing spree, a parade of fiscal irresponsibility that will hamstring our ability to invest in our future – in our schools, in a clean environment, in energy independence, in good jobs for our people.

That is not the high road.

Throughout my life I have been guided by the idea that our success as an economy and a society rests on our willingness to invest today for a better future.

That's why, as a businessman, I built a place called Laguna West, near Sacramento, that remains a model of a livable, walkable, environmentally sustainable community, good for families and good for business.

That's why, as Treasurer, I've pushed this state down the path of smart growth – investing in our neglected communities, putting our dollars into mortgages in inner-city neighborhoods, making loans to small businesses, and awarding grants to help communities make smart growth part of their future.

And that's why I proposed the Green Wave – to invest in the clean technologies that will protect our environment.

I believe there's a high road to prosperity – where we have the most livable cities, the cleanest environment, and the best-educated workers, so we can compete for and win the high-wage jobs of the future, jobs you and I can't even imagine today.

Because, let's face it: we can never win a race to the bottom. That's the problem with slash-and-burn, Schwarzenegger-Bush economics.

If companies want cheap, uneducated labor – if they want 18-hour workdays without pensions or health care – they'll always find it cheaper in Indonesia or Malaysia anyway. If they want to dump chemicals into the water and put mercury into the air, then California is not the place for them.

At the end of the day, the only way we can prevail in this global economy is to have the best environment, the best workforce to lengthen our competitive advantages. And that means making sure more of our young people, not fewer, have the skills to compete in an increasingly tough global economy.

I am excited by the energy in this room today, by the innovation you are sparking, by the prospect of new technologies that will improve lives and clean up our environment. I am excited by the opportunities that our Green Wave offers to our pension funds and our state.

But I am concerned that we cannot succeed on the high road of environmental investing if we do not also take the high road of investing in our people: Young Californians who are filled with ideas and possessed of the skills to turn those ideas into the products and businesses that will give us a cleaner environment.

Because innovation depends on more than capital. It flows from talent and knowledge.

And that is at risk in California.

We're in a state where two in five children in our elementary schools have parents who have never gone to college.

Where one in four are English learners and we have fifty languages spoken in our schools.

Where we now rank 25th among all states in the number of children in 9th grade who go on to get a four-year degree by the time they are 24.

We cannot count on filling our need for innovators and dreamers by importing them. From Europe to India to China, they have figured out that human talent is the gold of the 21st century, and they are keeping it for themselves.

If California and our industries are to stay at the forefront of innovation, we will have to grow our own.

We can have a California that leads the nation and the world once again, a California that's still the great American frontier.

But the Governor and I have different visions of how to do that, and how to keep California on the leading edge of global innovation.

Instead of turning young people away from our colleges and universities, we must open the door wider to higher education, and nurture our universities as seedbeds of discovery and knowledge.

Instead of slashing education, we must protect it and strengthen it, giving more of our children a solid grounding in math and science, and making preschool available on a voluntary basis to every four-year-old in the State.

Instead of bashing teachers, we must elevate the teaching profession, training teachers and rewarding them – so young people from across America join our corps of educators, our trustees of the next generation.

I am confident where that high road leads. It carries us past the shortsightedness that threatens our future, to a California that shows the world how to live in harmony with its natural gifts.

It takes us by way of fairness and opportunity to a California that serves the many, and not just the few.

And the high road delivers us to a California as bold and bountiful as our potential. A California that once again amazes and inspires the world.

That is the future our children, our environment, and our planet deserve.

Thank you so much for having me here today.